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Inman to Head New Firm That Will Buy High-Technology Defense Companies

By PAUL DUKE JR.

Staff Reporter of THE WALL STREET JOURNAL

Adm. Bobby R. Inman, who recently announced he would leave Microelectronics & Computer Technology Corp., will become chairman and chief executive officer of a new holding company that will acquire companies in the high-technology defense business.

The majority of the closely held company, Westmark Systems Inc., will be owned by Mason Best Co., a Texas merchant banking concern that has majority interests in several other holding companies in insurance, packaged foods, publishing and other areas. Mason Best will arrange other private funding for Westmark. Adm. Inman will join Westmark when he steps down as MCC's chief executive in January.

Joining Adm. Inman on the board of Westmark will be a number of important figures in industry and former high government officials, including Donald Rumsfeld, who was secretary of defense under President Gerald Ford; Drew Lewis, President Reagan's secretary of transportation from 1981 to 1983; and Robert S. Strauss, former chairman of the Democratic National Committee who was the U.S. trade representative in 1977-1979.



Bobby R. Inman

Also on the board will be David T. Kearns, chairman and chief executive of Xerox Corp., and Clifford J. Grum, president and chief executive of Temple-Inland Inc., a Diboll, Texas-based maker of forest products. Mr. Rumsfeld is currently a private businessman in Chicago, and Mr. Lewis is chairman of Union Pacific Railroad Co., a unit of Union Pacific Corp.

Mr. Inman said Westmark initially will buy established companies in the defense industry that specialize in high-technology weapons and electronics research. "Ultimately, I'd like to do some start-ups," he said in an interview. "But that will have to play second fiddle for a while to buying companies."

A spokesman for Mason Best said Westmark has no current plans to start companies itself.

"We saw a nice niche for a really top-flight high-tech firm in the defense field," said Mr. Strauss, now a lawyer and lobbyist in Washington. "They've targeted two or three companies where additional capital could make the companies much more productive." None of the parties contacted about Westmark would identify the companies being considered for acquisition.

Mr. Inman wouldn't discuss his salary at the new company except to say, "I've been well paid at MCC, and I'll be even a little better paid at Westmark." Mr. Inman's salary at MCC hasn't been disclosed.

Hiring Mr. Inman, who has earned considerable respect in getting the experimental MCC research consortium on its feet, is a coup for Westmark, which can be expected to benefit from the high profile and government contacts that Mr. Inman brought to MCC. That three-year-old concern is a cooperative venture among 21 high-technology companies that compete in many markets.

"In Bobby Inman they've got someone who is well-known to the media and is also an expert in defense and engineering," said Roy Herberger, dean of the business school at Southern Methodist University, Dallas. "It's hard to imagine a more valuable catch." Mr. Inman also is a former director of the U.S. National Security

Agency and deputy director of the Central Intelligence Agency.

Mason Best, a closely held concern based in Dallas, was begun in 1984 by Randy Best, a Houston businessman, and Elvis L. Mason, former chairman and chief executive of InterFirst Corp., a Dallas-based bank holding company. Neither Mr. Mason, who is also on the Westmark board, nor Mr. Best could be reached for comment on the Westmark venture.

Asked about the potential risk in plunging into high-technology defense lines when political support for defense spending and sophisticated weaponry is in question on Capitol Hill, a Westmark spokesman said: "We're a long-term player, and electronics in defense is clearly a growing area. If you look at the defense budget historically, there may have been a few years out of the past 100 when the budget went down. (But) in general, it's growing."

PETER BEHR

Why Bobby Inman Quit

Bobby Ray Inman, retired admiral, former National Security Agency director and former CIA deputy director, has spent four years engaged in a particularly un-American activity.

Since 1983, Inman has run the Microelectronics & Computer Technology Corp., an unprecedented effort by nearly two dozen leading American computer and semiconductor companies to collaborate on vital basic research.

MCC is not "un-American" in any patriotic or national security sense, of course. Indeed, if its scientists and managers achieve the technological breakthroughs they are shooting for, and if that technology can be translated into commercial use, MCC will have made an extremely important national contribution.

What makes the project unique is the attempt to get American high-tech companies to overcome their ingrained adversarial instincts and make a partnership work.

The notion that key scientists and engineers from Digital Equipment Corp., or Control Data Corp. or 3M could work side-by-side, without fear of tipping each other off to their employer's important high-tech secrets and strategies, seemed far-fetched when Inman and MCC got going in Austin, Tex.

But then and now, Inman says that such collaboration is



BOBBY R. INMAN
... "things are bubbling out"

essential if American companies expect to reach the next levels of computer and semiconductor technology before their foreign rivals do.

Earlier this month, Inman surprised outsiders with the announcement that he would leave MCC at year's end.

In an interview, Inman said he is leaving because MCC has accomplished the first step in what it set out to do: It has demonstrated that cooperation is possible.

He has had the fortune to make his name in organizations like the CIA whose successes or failures aren't publicly reported. But MCC's interim grades are good, he says.

"I'm really pretty encouraged about what I see," he said.

Funding for 1987 is secure, with the 21 members agreeing to boost their financial commitment to \$75 million from the current \$65 million. "It's healthy . . . It has attracted first-rate talent. Things are bubbling out."

William C. Norris, chairman emeritus of Control Data, who conceived of the MCC approach, said the progress "is faster than I expected. I give Inman a lot of credit for what has been accomplished in getting people into a cooperative environment."

Inman was able to ease many of the original concerns that MCC would become a leaky bucket where a company's choicest secrets would escape, Norris said. The admiral's long experience in the black box side of the military intelligence establishment gave him some undeniable skills in this area.

"He's resolved a lot of concerns about proprietary conditions. He built an institution and it has gone through its most critical stage," said Norris. Already, Control Data and other companies are extracting valuable technology from MCC, he said.

Inman also set high standards for the quality of the people who would work at MCC, Norris said. "Quite a few of the companies sent lower-level people at first, and he sent them back, as he should have," Norris said.

The need for collaboration is driven home by the nature of the next round of global high technology competition.

"In the 1990s, we aren't talking about a computer industry or a semiconductor industry, or a telecommunications industry. We're talking about an information-handling industry. MCC ought to evolve in programs that move toward a systems approach to information handling," Inman said in an interview earlier this year.

Even the largest American companies can't manage the job alone. "Without this type of activity on a much larger scale, the United States is going to lose its position of being a technological leader," said Norris.

There are skeptics, however, who believe MCC has yet to prove itself.

Richard M. Cyert, president of Carnegie Mellon University, said, "Up to this point, it has to be given very low marks . . . Companies that have hot ideas simply don't want to throw them into the common pot," or chip in their very best people, said Cyert.

"MCC, in a sense, was not properly conceived. You can succeed as a basic research unit, but it's very difficult to do it as

a development unit," said Cyert, because of the competitive tension among the technology companies.

That's MCC's dilemma. The closer it sticks to basic research, the easier cooperation is.

Norris and Inman agree that MCC can't be considered fundamentally successful unless its basic research in advanced software, semiconductor chip construction, artificial intelligence and other fields is replanted within the sponsoring companies and creates new competitive advantages for them.

Inman said he believes the momentum in U.S. basic research has increased in the past few years. The continuing problem is the speed with which that technology is being applied in plants and offices. "There I see the trends going in the opposite direction . . . I don't see much momentum on the U.S. side."

Inman won't announce his personal plans for a few more weeks, but he intends to work on speeding the translation of technology into the marketplace. "I may go into a large enterprise and try to change it from the inside," or help assemble some small start-up ventures, or work in investment banking, raising money for technology companies. Whatever the course, the admiral is likely to continue leaving a large wake.

Inman to Resign at M.C.C.

By DAVID E. SANGER

Special to The New York Times

BOSTON, Sept. 4 — Bobby R. Inman, the former intelligence agency chief who created the Microelectronics and Computer Technology Corporation to do battle with Japan's electronics giants, will resign as head of the consortium at the end of the year, the company said today.

Confirming industry rumors, the Austin, Tex., consortium, popularly known as M.C.C., said Admiral Inman told the venture's board of directors today that "he does not intend to renew his contract as chief executive" when it expires in December. No successor has been selected, and Admiral Inman has not yet decided what he will do next, according to William Stokesbury, a spokesman for M.C.C.

Since M.C.C.'s founding in late 1982 as a highly unusual, innovative research consortium initially formed by about a dozen of the biggest names in computers, electronics and military contracts, it has been dominated by the presence of Admiral Inman. The former chief of the National Security Agency and deputy director of the Central Intelligence Agency is widely regarded in managing complex technological programs. He had long contended that the nation was falling far behind Japan in leading-edge technologies that were key to both industrial competitiveness and national security.

Three-Year Term Cited

While it appeared that Admiral Inman had left his post voluntarily, it was not clear whether he had been under pressure in recent months from the sometimes fractious M.C.C. board. The board is made up of executives from companies that compete with each other in several arenas.

In a brief statement, Mr. Inman said that when he became the chief executive of the consortium in January 1983, he committed to staying for only three years, and extended that to a fourth "to assure the building of the corporation was complete." With 21 companies now investing and participating in M.C.C.'s diverse research projects, and 450 specialists now engaged in the work, he said, that job was done.

At the same time, in recent months some participants in the program have said there were continued tensions over the willingness of some M.C.C. partners to share technologies — and that Admiral Inman often found himself arbitrating disputes.

Mr. Inman was traveling today and could not be reached.

From its beginning, M.C.C. has attracted enormous attention because of its nontraditional approach to conducting research:

Get some of the best-known high-tech companies in America to collaborate — including Digital Equipment, Control Data, National Semiconductor, Advanced Micro Devices and others — in hopes that they will be able to incorporate the resulting technologies in new products.

The approach was loosely patterned after the role of Japan's state-owned Ministry for International Trade and Industry. Even though M.C.C. received no Government funds, it initially raised eyebrows in Washington, and Admiral Inman and William C. Norris, the founder of the Control Data Corporation, spent much of their time in the early days of the project convincing the Justice Department and Congress that the collaboration was not anti-competitive. Eventually, Congress passed legislation that specifically allows such ventures, and several others have been spawned in M.C.C.'s wake.

Early Flap Over Researchers

The legal hurdles, however, turned out to be the lesser of the problems facing M.C.C. In the first 18 months of the project, many of the participants balked at sending Admiral Inman their best researchers, and he moved quickly to bring in talent from the outside.

That angered some of the companies, which feared that without their own technicians in M.C.C.'s laboratory, they would have difficulty transferring the technologies to their own products. For his part, Mr. Inman conceded in a 1984 interview that some of the corporate partners were "sitting back and sipping with a long straw."

Since then, Admiral Inman has insisted in many speeches that cooperation has vastly improved. And today, in his statement, he said the consortium had stepped up the transfer of technologies to the

shareholder companies. The venture's budget for next year, increased at today's board meeting, is about \$75 million.

One company insider said tonight that "Bobby really thinks he has done what he can here — and he knows he is mostly a builder." Mr. Inman, he said, would likely take up a new post that enabled him to work in getting companies to apply new technologies faster, an area the M.C.C. official said "is now Inman's main concern."

Because M.C.C. is not publicly held, and because much of its work is proprietary, technology analysts have had a difficult time assessing the progress of its programs. Some of the biggest early successes appear to involve work in the packaging and interconnection problems of advanced semiconductors, and computer-aided design for very large scale integrated circuits. Work has reportedly been slower in software technologies, including artificial intelligence, but significant progress has been made in parallel processing — a still-experimental design for small supercomputers.

Each of those programs has an individual director, and none are expected to be derailed by Admiral Inman's departure. But company officials openly acknowledge that the search for a replacement chief executive, capable of mediating the competitive jealousies of M.C.C.'s partners, will be difficult.